

## Alberta Imports from the U.S. – an Update

August 3, 2017

### **Highlights:**

Last May, we released a commentary in which we tried to estimate how much merchandise Alberta imports from the U.S. Surprisingly, Statistics Canada has now released a new database that includes provincial estimates for imports from the U.S. Hence, the need for an update of the import commentary.

In the May commentary *How Much Does Alberta Import From The U.S.?* we attempted to estimate Alberta's "true" merchandise imports from the U.S. Why did we estimate these imports when Statistics Canada publishes them on a regular basis? The problem with the official import statistics is that they only capture what gets cleared through Alberta border points rather than what is actually destined for Alberta. However, on July 12 Statistics Canada released a new database that includes estimates for the year 2013 of "true" imports by province from the U.S.<sup>1</sup> which should replace our in-house estimates for such imports. Besides merchandise imports this new database also includes estimates of imports of services.

Statistics Canada's International Accounts and Trade Division (IATD) publishes estimates for merchandise imports by province on a monthly basis. The IATD trade database suggests that the value of merchandise imports from the U.S. that clear customs in Alberta was \$18.0 billion in 2013, \$18.5 billion in 2014, \$19.7 billion in 2015 and \$16.4 billion in 2016<sup>2</sup>. According to this database Alberta accounted for only about 6% of Canadian merchandise imports from the U.S. The U.S. accounts for roughly two-thirds of Alberta's merchandise imports according to the IATD database. However, these estimates are on a province of clearance basis rather than on a province of final destination basis. A large share of the imports that are ultimately destined for Alberta actually clears customs in other provinces. For instance, many of our "true" imports clear customs through in BC ports or in Ontario, and are then allocated to BC or Ontario rather than to Alberta.

According to the new database which is based on the provincial accounts international merchandise imports from the U.S. totaled \$55.3 billion in 2013, a much higher estimate and a more realistic one than the \$18.0 billion according to the IATD and also higher than the \$49.5 billion we estimated in May. According to the database Alberta accounted for 17% of Canadian international imports of goods from the U.S. in 2013. Imports from the U.S. accounted for 77% of total Alberta imports in 2013, higher than the 69% share we had estimated.

Besides merchandise imports this new database also includes estimates for imports of services. In 2013, Alberta imported \$8.9 billion in services from the U.S. and Alberta accounted for 14% of Canadian service imports from the U.S. Total imports of goods and services from the U.S. were therefore \$64.2 billion.

The import estimates in this new database do include re-exports. Re-exports are products that are imported and that are subject to a change in ownership but that are not subject to any substantial transformations in the domestic economy before being exported. Ideally, these re-exports should be taken out of imports. Re-exports to the U.S. were about \$3 billion in 2013, so imports excluding were about \$61 billion. However, this assumes that the re-exported commodities were also imported from the U.S., which may not be totally accurate. About 95% of these re-exports are allocated to the manufacturing industry with the oil and gas sector accounting for another 2%.

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<sup>1</sup> Statistics Canada's Cansim table 381-0032 - *Value added in exports, 2013*

<sup>2</sup> Statistics Canada's Cansim table 228-0060 - *Merchandise imports and domestic exports, customs-based, by North American Product Classification System (NAPCS), Canada, provinces and territories*

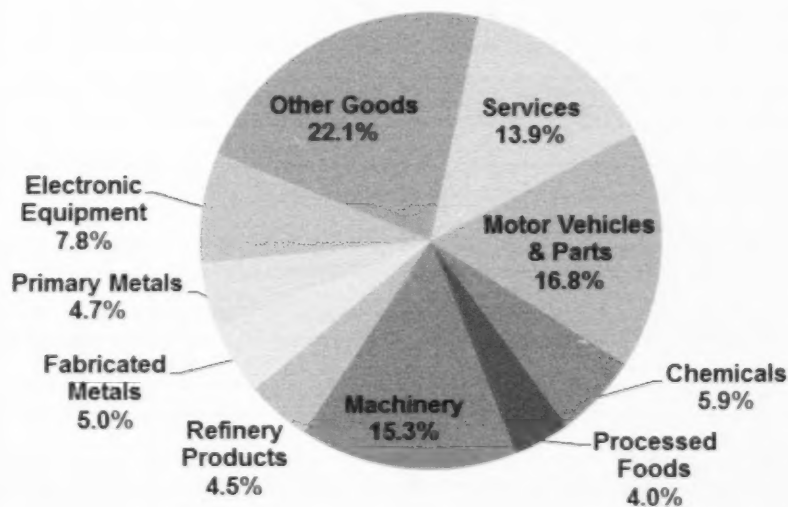
Cansim table 381-0032 provides a fairly detailed breakdown of imports from the U.S. by industry. Unfortunately, the latest available year is 2013. Alberta's largest import categories are:

- Motor vehicles and parts with imports of \$10.8 billion from the U.S. in 2013 (total imports of motor vehicles and parts from all countries was \$12.2 billion);
- Machinery with imports of \$9.8 billion from the U.S. (total machinery imports were \$12.0 billion);
- Electronic equipment at \$5.0 billion (\$7.6 billion);
- Chemicals at \$3.8 billion (\$4.9 billion);
- Fabricated metals at \$3.2 billion (\$4.5 billion);
- Primary metals at \$3.0 billion (\$3.9 billion);
- Refinery products at \$2.9 billion (\$3.0 billion); and
- Processed foods and beverages at \$2.6 billion (\$3.8 billion)

The above import estimates still include re-exports, so they are a bit too high if we are interested in examining imports that actually stay in Alberta.

Most of the imports of machinery, primary metals and fabricated metals go to Alberta's oil and gas sector. Other large import categories with at least \$1 billion in imports from the U.S. include: oil and gas; clothing and textiles; electric equipment; transportation services; and engineering and architectural services.

### Imports of Goods and Services from the U.S. by Industry in 2013 (Total Imports from the US: \$64.2 billion)



Sources: Statistics Canada and Alberta Economic Development and Trade